

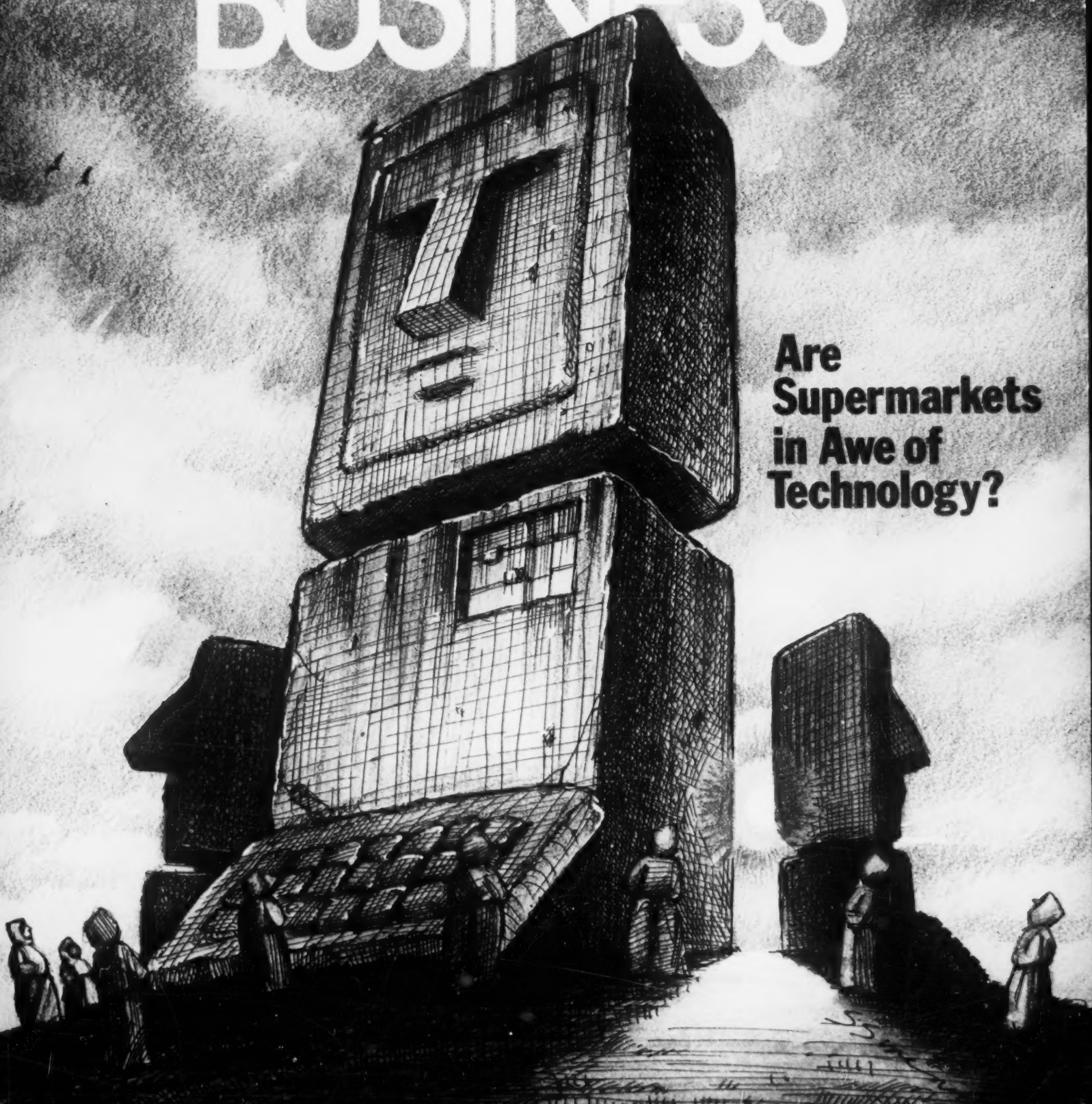
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SUPERMARKET BUSINESS

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VOLUME 44/NUMBER 10
OCTOBER 1989

**Are
Supermarkets
in Awe of
Technology?**



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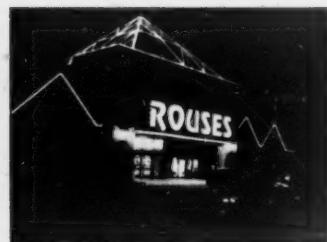
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V BPA ABP



By Ken Parich,
Editor-in-Chief

Are Supermarkets in Awe of Technology?

We are only just beginning to really apply computer-to-computer "buying" in an industry whose inventory is probably 85 percent "replenishment." The industry is just in the earliest stages of computer replenishment at the store level, and this

Think of technology in cost effective terms. It is not a god. It is a tool.

is still spoken of as one of the seven great wonders of the universe. Part of the problem, of course, was that hardware people left it to the trade to develop its own software programs, for the most part. That was hardly "user friendly."

How many trade shows have you attended where the demonstrators took you through meat cutting tests, or networked scales and front ends demonstrations, where the programming for such operations either did not exist or were going to cost you a small fortune to develop? This, too, was not user friendly.

Now the industry has what might almost be described as a second chance. There are advances being made in other retailing areas that may prove useful in the grocery industry, if only in terms of providing an example of how an unafraid, cooperative effort can really break new ground. I am thinking of some of the suppliers to the garment, department stores and mass merchandisers industries that have worked to solve the horrendous inventory and delivery problems they faced.

True, they had the advantage of coming after the work of the grocery industry in UPC and UCS. But in five years, or so, they have rushed past this industry in developing Electronic Data Interchange, and Quick Response application strategy. One of the immediate results could be that the mass merchan-

disers can get into the grocery industry a lot faster and more profitably than the grocery industry can get into mass merchandising of general merchandise. That's why a mass merchandiser is a lot more likely to make a hypermarket work successfully than a grocery operator can.

The major manufacturers of computerized hardware in this industry did not do this in a cooperative or leadership way. Perhaps they couldn't have; perhaps they shouldn't have. Perhaps they couldn't know. But I tend to believe that short-term fears of competitive advantage or disadvantage played too large a role at both the manufacturer and the retailer levels.

Each was either too much in fear of "helping" to sell the other guy's product, looking for a real or imagined marketing advantage, or on the retail side, too much in awe of technology to really take command. Fortunately, we may be getting another chance. (See Richard Shulman in this issue on "Technology," and the cover story by Mike Duff.)

Retailers and wholesalers are absolutely right in not rushing to buy the latest in computerized brooms or refrigerated cases if the cost cannot be justified in easily identifiable benefits. There isn't enough slippage in the system to justify that, and there shouldn't be. Because that would mean that the customer is paying for it, anyway. But... the progress, or lack of it, that such projects as UCS has seen, does not suggest that this industry is in any great rush to solve its problems of distribution or to improve its efficiency in any broad, industry-wide effort.

Perhaps the problem is that we need to demonstrate a little less worship of technology in the abstract, a little less awe and respect toward technology. Think of technology strictly in cost effectiveness terms. It is not a god. It is a tool. ■



989 PRODUCE
OPERATION INST

WITH JANET TORRE

PRODUCE

Produce Census, Sales & Margins

Up was the only direction that sales and profits in the produce department were headed last year. With sales in each of 30,440 supermarkets reaching \$16,932 per week, total produce sales had little trouble topping the \$26.8 billion mark.

The vast majority of supermarkets (85%) reported that their produce sales increased last year. The average reported increase was 9.3%. This increase was higher than those that had been reported in previous years. Sales increases coupled with a healthy gross margin of 32.8%, led the produce section to contribute almost 19% of the total profit of the store.

Produce Units

Produce departments 30,440
Percent of all supermarkets 100%

Average Weekly Sales

Mean \$16,932 Median \$16,350

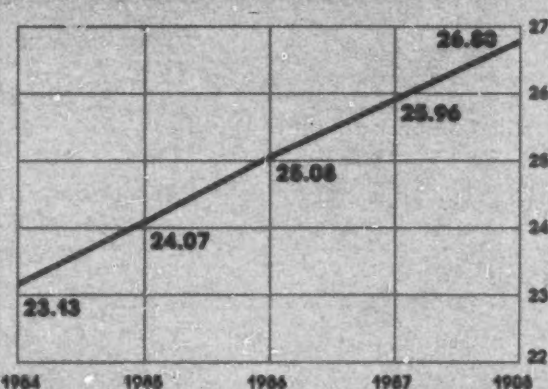
By Store Format

Conventional \$ 6,148
Super Store \$22,916

Change in Dollar Sales (1986 vs. 1987)

Higher	85%
No change	12
Lower	3
Total	100%
Average reported increase	9.3%

Annual Sales (billions)



Sales, Profits & Margins

Share of Total Store Sales	Mean 8.6%	Median 8.9%
Contribution to Store Profits	Mean 18.9%	Median 18.0%
Gross Margin	Mean 32.8%	Median 31.8%

Some 61% of store customers now make a purchase in the produce section. That's up 10% from just one year ago.

If I were a doctoral candidate in cultural anthropology, I think that I'd do my dissertation in the produce department.

If you look closely, you'll see that a lot of interesting behavior goes on in the produce department that you don't find elsewhere in the store. Consumers react differently in this section ... as do retailers.

Think for a moment about what the department tells about the store, and the people who run it. Why do some retailers merchandise the section with abundant produce overflowing the bins, while others create orderly rows of polished looking products? Basic personality differences, or different merchandising philosophies?

Even if the sections are small,

with limited selections, if the store is well-run the produce sections will have high quality, well merchandised products. Operators know that the impression that consumers take away from their stores is only as good as the impression the produce department makes.

Consumers do the strangest things in the produce department. Watch a typical consumer picking apples or peaches. He or she closely inspects every piece of fruit. It takes twice as long to pick an 89 cent pound of apples than a \$6.99 pound of steak, or an \$11 lobster.

When it comes to the actual picking, everybody has a theory as to how to tell what's ripe, or which pineapple will be exactly at the peak of flavor when it's

served next Sunday.

Honest people will feed their kids handfuls of grapes, or string beans, or bulk candy, and then lecture these same children on evils of stealing.

Perhaps the ultimate proof of how the produce affects consumers is that it is the only fresh food section where consumers not only tolerate, but encourage, each another to handle the food.

You need tongs to pick rolls. You certainly can't squeeze the meat, fish or deli. But you can poke and smell the produce!

Produce sales up

At \$26.8 billion last year, produce sales were the second-highest perishable department sales, just shy of the \$27.1 billion

Continued on next page

PRODUCE

in fresh red meat sales.

This represented a 3.3-percent increase in sales of fresh produce.

All supermarkets have a produce department of some kind. Its average sales come to \$16,942 a week.

The average superstore reaches \$23,000 per week in produce. Weekly sales for individual high-traffic stores can be twice as much.

Part of the reason that produce sales are growing is that it draws people in... in ever-growing numbers. Currently, about 61 percent of all store customers make a purchase from the produce department. This is up about 10 percent from the year before.

The increase is due, at least in part, to heightened awareness of nutrition and fresh foods.

If impulse buying has anything to do with increasing the percentage of customers who make a purchase, then the produce department is perfectly situated to take advantage of impulse buying.

Retailers report that they still prefer to place the produce department first in their store's traffic pattern.

Make the customer walk through those abundant bins, with their enticing colors and aromas, and you're bound to get a good deal of impulse purchases... especially with that little voice in the back of their heads telling them that this stuff is good for them.

Produce accounts for an average 8.6 percent of total store sales, which is up slightly in the past year.

What is more significant is that the department can add a great deal of real profit to the store's bottom line. The average gross margin that the section operates on is up to 32.8 percent.

The really good news is that the amount of profit that produce contributes to total store profit is up. The department, on average, now accounts for 18.9 percent of the total profits generated by a store.

Now that more produce is available on a year-round basis, there is a more even balance of profit flow coming through the department. Winter produce, while still somewhat more costly, can now bring nearly the sales volume of the traditional summer peak.

Retailers report that they stock only an average of 66 more

Product Mix

Portioning Out the Produce Sales Dollar

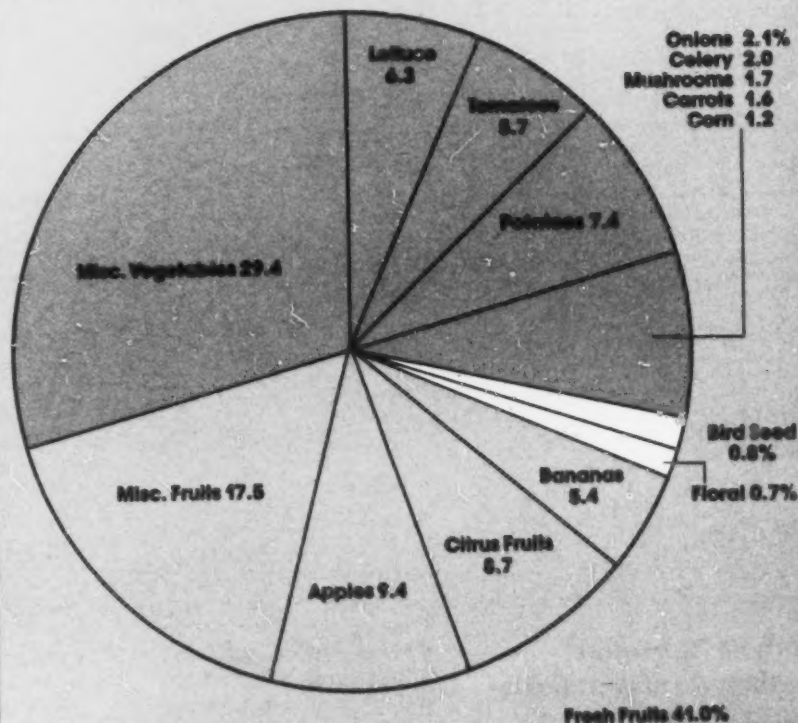
Share of Sales

The overall product mix of most produce departments has not changed much in the last few years. Many new items and varieties have been added, but the section is still dominated by only six basic item categories.

Vegetable sales still outpace those of fruit, while floral and bird seed are only making slight inroads in terms of share of department sales. The department is filled with hundreds of items that garner less than 1% of section sales, but add variety to the department's offerings.

Floral sections are cropping up in more and more stores, as are fresh squeezed juice bars. The majority of both these sections are actually run by the produce department, whereas salad bars and bulk foods sections are not.

Fresh Vegetables 57.5%



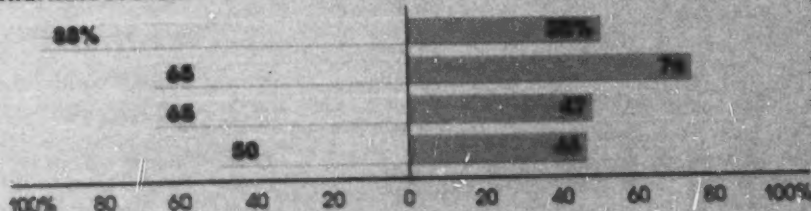
Products

Special Sections

Percent of Companies That Have Sections

Floral	88%
Fresh Squeezed Juice	65
Salad Bars	65
Bulk Foods	50

Percent of Sections Run by Produce Dept.



PRODUCE

Now that more produce is available on a year-round basis, there is a more even balance of profit flow coming through the department.

varieties of produce during the summer than their year-round average... now up to 210 varieties.

More variety, less space

Just as the increasing number of products in other departments are forced to fight for shelf space, the burgeoning variety of produce items must contend for bin space. Produce departments are physically shrinking.

The stores may be getting bigger, but the space allotted to produce has decreased an average of 3.3 percent. Last year, the average department measured just 4,658 square feet, down from 4,817 feet. The section's share of store space has decreased slightly to 12.1 percent.

How do we justify adding more varieties to less space? (In the past year, the year-round average was up 35 varieties over the previous year.) Many of these varieties are not merchandised in the overflowing bins that we have become accustomed to seeing for apples, oranges and other popular varieties.

Stores are making use of smaller spaces when displaying many of the more exotic and specialty produce items. The move is to place such as garlic or star fruit in small baskets, which can be placed in the spaces between the larger bin rows. These can be stacked three or four deep, each filled with a different item.

Cases with multi-tier shelving have also become popular, helping to make merchandising of smaller quantities easier and more aesthetically pleasing.

One point that many produce merchandisers would have to admit is that some of these varieties are there in small quantities in order to be able to say that they are there.

To be sure, variety for variety's sake—which is to say, image—is not a bad idea when you can get away with stocking just a few pounds of the stuff.

One traditional barometer of



Space, Location & Equipment

Size of Department

Square Feet of Space

Mean	4,658 Square Feet
Median	2,720 Square Feet

By Store Format

Conventional	1,940 Sq. Ft.
Super Store	4,850 Sq. Ft.

Share of Total Store Space

Mean	12.1%
Median	10.6%

By Store Format

Conventional	12.2%
Super Store	11.4%

Average Weekly Sales Per Square Foot of Space

Mean	\$3.64
By Store Format	
Conventional	\$3.17
Super Store	\$4.72

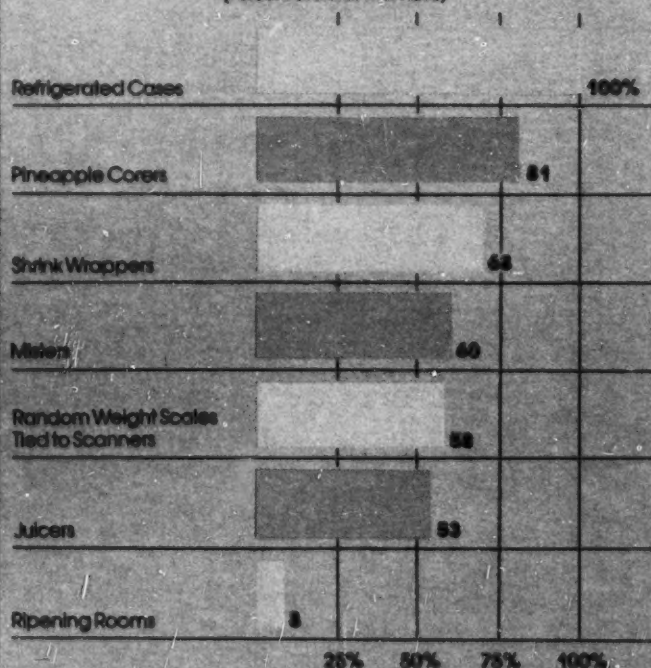
The average produce department is 159 square feet, smaller now than it was a year ago. This has not stopped the departments from increasing the number of varieties of product that they sell. The average year round number of produce items is now 210.

The shifts in sales and footage have caused a gain in the amount of sales per square foot in the produce department. The average sales per square foot is \$3.64.

The well equipped produce department includes refrigerated cases, pineapple corers, shrink wrappers and misters. In fact, most departments seem to have increased their produce equipment to keep pace with the variety of products.

The Well-Equipped Produce Dept.

(Percent of Stores That Have)





FOODSERVICE DEPARTMENT

1989 OPERATIONS REVIEW

There's a strange phenomenon sweeping across suburban communities scattered across the country.

This is the scenario: It's late in the evening, the family at the last minute decides to go out for dinner. Nothing fancy, just a basic meal at a local bistro.

You know the kind of place—eighteen varieties of burgers, Mexican beer on tap, everything ever cooked in the state of Louisiana on the menu, and anything that's old hanging from the ceiling. You're hungry, but there's an hour wait when you get there.

The same goes for the Mexican restaurant across the mall, and the diner out on the highway. The kids can't hold out that

Prepared foods continues to lead the supermarket into waters that some operators find they haven't previously navigated. To many, the ride has been rocky but extremely profitable.

BY: DAVID LITWAK
DIRECTOR OF RESEARCH
WITH JANET TORRES CEPEDA

long, and neither can your nerves. Your stomach can't stand the idea of another fast food burger or pizza, and there's no use going home to scavenge something from the back of the freezer.

In these communities, an alternative to being shut out of the local eateries now lies waiting in the supermarket deli case. Those stores that have developed solid foodservice programs are finding that they are becoming more of a viable alternative for many different family mealtimes.

More than just a quick weekday meal picked up on the way home, instore prepared foods and foodservices are now finding their way into weekend

meals, are being purchased in advance and refrigerated for a meal planned for later on in the week, or are being taken along as catered items to parties and gatherings.

This phenomenon is not occurring in every deli or food-service department in every store. It is, nevertheless, occurring in enough communities to make both grocers and restaurateurs want to take a hard look at what is going on at the local supermarket.

To help chart the course of instore foodservice, **INSTORE BUSINESS** once again took an in-depth look at the operations of the foodservice department. What we found was a steady pat-

tern of growth for those operations in the store associated with foodservice.

There are usually two areas that can be talked about when dealing with supermarket foodservice. The first is the food, and the second is any special services that are associated with selling that food, such as snack bars, restaurants, and catering.

Simply put, prepared food is the heart of any instore foodservice operation. What exactly constitutes prepared foods is open to debate. To some operators it is cold sandwiches and potato salad, to others it is hot entrees, or any combination or variation in between.

What we do know is that

there are now almost 17,000 supermarkets that offer prepared foods of some kind, either hot or cold. This translates into roughly 86 percent of all the stores with deli units now offering prepared foods.

Hot prepared foods are offered by 15,563 stores, while 15,169 report that they have refrigerated prepared foods. Obviously, the predominate merchandising pattern is for a store to have a combination of both hot and cold items.

Over the past 12 months, sales of prepared foods in supermarkets have reached the \$2.4 billion mark. This is an increase of 23.7% over the previous twelve month period. The average

weekly sales of prepared foods per store is up to \$2,724.

Why this large increase in the sales of prepared foods? One reason is the availability of prepared products. There are now 1,150 more stores carrying prepared foods.

Not only are more stores selling prepared foods, but most units are selling more prepared foods now than they ever did before. According to the survey 88% of stores selling prepared foods report higher sales of those products in 1988 than in 1987. The average sales increase was 19.4 percent. The remaining 12 percent report no change in their sales of prepared foods.

With more stores selling pre-

Prepared Foods Census

Prepared foods are a growing part of most retailers' instore effort. Prepared foods both hot and cold are offered by 86% of the supermarkets having deli sections. With weekly sales per unit of \$2,724, there were \$2.4 billion in prepared food sales last year.

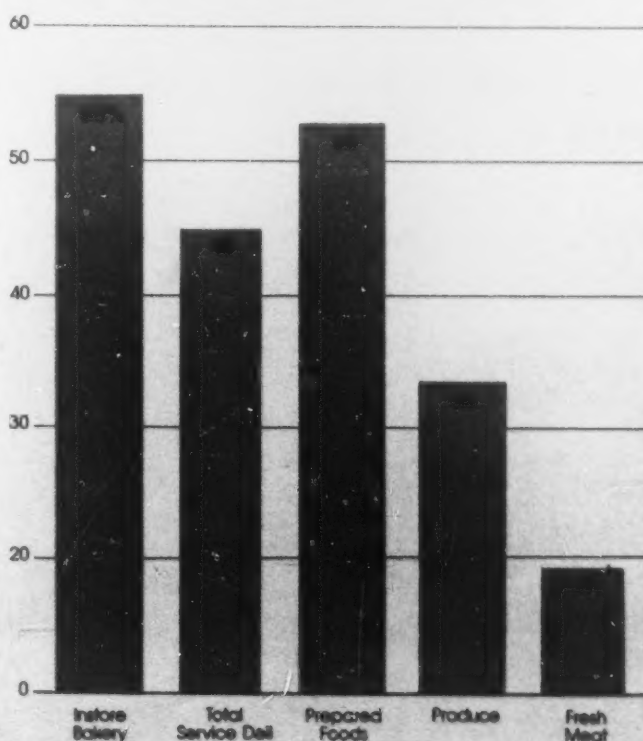
The average gross margin of 53.4% that prepared foods has is one of the highest margins among food products in the store. This high margin helps prepared foods contribute an average of 5.2% of the total profits for the store.

Prepared Foods Sections

	Number of Supermarkets* Selling:	Percent of Total Units With Instore Deli's Selling:
Any Prepared Foods (Hot or Cold)	16,942	86%
Hot Foods	15,563	79
Refrigerated Prepared Foods	15,169	77

*7% of these stores started selling prepared foods in 1987

Gross Margins of Various Store Departments



Sales & Profits

Prepared Foods Share of Total Store Sales

Mean **2.3%** Median **1.8%**

Contribution of prepared foods to store profits

Mean **5.2%** Median **5.3%**

Annual Sales 1987

Prepared foods **\$2.40 Billion**

Average Weekly Sales

Mean **\$2,724** Median **\$2,218**

Weekly Sales

\$1,000 or less	1%
\$1,001-\$2,000	5
\$2,001-\$3,000	59
\$3,001 & Over	35
TOTAL	100%

Average Gross Margin of Prepared Foods

Mean **53.4%** Median **52.0%**

Gross Margin

Less than 40%	1%
40-50%	25
51-5%	8
56-59%	66
60% and over	3
TOTAL	100%

pared foods, and most stores selling more than ever before, there not only must be more people buying prepared foods in supermarkets, but they must also be buying more of it than before.

As the number of two income households increases, we get more sales of prepared foods. As the need for convenient meals increases, so do sales of prepared foods. As the family chef, whether she/he works full-time or not, has to spend more time chauffeuring the kids from activity to activity the sales of prepared foods will go up. In short, as available time goes down, prepared foods go up.

Time, income, and the need for convenience are important to the growth of prepared food sales, but they don't account totally for the growth of sales through supermarkets. These factors would apply to the increase in sales of prepared foods through any type of outlet.

Along with the increase in demand for conveniently prepared foods, supermarkets owe their increased popularity in the foodservice arena to their products. In many cases there has been a tremendous increase in the quality, taste and presentation of supermarket prepared foods. While many stores still have a long way to go in this

area, many have already made great strides in the taste and visual appeal of these foods.

Generally, supermarket prepared foods are highly price-competitive with those offered through more traditional food-service outlets. While higher-priced restaurants and take-outs may have better reputations for prepared foods, many times the supermarket will have a higher image for quality and freshness. While the customers may have more confidence in their products than they do for some of the more price-competitive fast food and take-out shops.

Variety is another important consideration that generally

goes in the supermarket's favor. The number of take-out foods available from a supermarket is usually as large, if not larger, than those available on the take-out menus of most restaurants and take-out shops. And it is certainly larger than those of fast food outlets.

Coupled with the vast number of other food possibilities, whether frozen, refrigerated, partially prepared, cold cuts, salads or raw ingredients, the one stop at the supermarket is more likely to fulfill everybody's appetite in the family. Thus, the convenience factor is satisfied.

The average gross margin for prepared foods in supermarkets

Prepared Foods Sales, Labor Products

Dollars sales climbed an average of 19.4% for prepared foods in 88% of the stores that offer these products. No store reports losing any dollar sales during this period.

Most prepared foods are sold through the service deli counter. Those that aren't go through a separate hot service counter, a self-service area, or a refrigerated case.

Labor is an increasingly significant factor in prepared food sales. The cost of labor as a percentage of sales is up to 17.6%. A major problem is the skill level involved in preparing the products. Retailers report that 15.3% of their instore staffs are now trained cooks. Training both the cooks and counter help is a vital point in the ultimate success of a prepared foods program.

Changes in Dollar Sales of Prepared Foods

(1988 vs. 1987)

Higher	88%
No Change	12
Lower	0
TOTAL	100%
Average Reported Increase	19.4%

How Much for Labor

(As percent of prepared food sales)

Mean 17.6%	Median 22.0%
less than 10%	1%
11-20	78
21-29	9
30 and over	12
TOTAL	100%

Percent of Total Prepared Food Sales Sold Through:

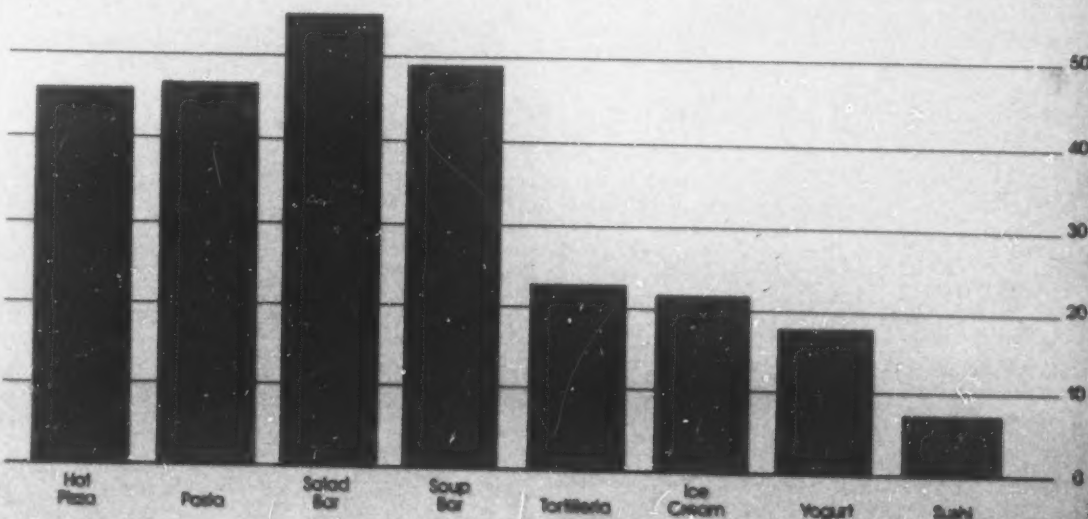
Service Deli	80%
Separate Hot Service Counter	9
Self-service Area	6
Refrigerated Case	5
TOTAL	100%

Trained Chefs

Percent of Instore Staff that are Trained Cooks	15.3%
---	-------

Special Food Service Sections

Percent of Companies



is 53.4 percent. With only a handful of exceptions, this is higher than the gross margins of most other food items sold in supermarkets. As high as this margin seems, and it may be considerably higher on some specific prepared food items, margins received by restaurants and gourmet shops for similar items are frequently even higher.

Margins are an interesting statistic, but how much are the stores actually keeping when they sell prepared foods? As a measure of the real worth of prepared foods, let's look at two specific numbers.

First, prepared foods account for about 2.3 percent of store sales in those stores that actively sell them. This 2.3 percent of sales contributes 5.2 percent to store profits. With a ratio of percent of profits to percent of sales over 2.25 to 1, you can be sure that the operator would love a lot more of his sales dollars to be coming from prepared foods.

A contributing factor to the high profitability of the prepared foods section is its low

labor cost. Retailers report that 17.6 percent of sales dollars that are generated by prepared foods are spent in the labor to prepare, maintain and sell those items. This is not a particularly high labor factor when compared to some of the other service food departments.

The labor factor may be reduced even further as operators continue experimenting with more self-service merchandising for prepared foods. The percentage prepared foods sold through self-service increased to six percent from five last year.

As of now, retailers are split as to whether increased self-service will be the wave of the future for prepared foods. When asked in which direction they expected their prepared food sections to go in the future, 51 percent said towards more service, while 49 percent leaned towards more self-service.

This trend (self-service) should increase further as more foods are sold cold rather than hot. Currently about 5 percent is sold out of refrigerated cases, up from two percent last year. Half

of the retailers told INSTORE BUSINESS that they expected to sell much more refrigerated prepared products in the future. Only 20 percent planned to be offering more hot foods, while the remaining 30 percent saw no real change in their ratio of hot to cold foods.

Where's this food from?

If you're an Escoffier graduate, or a chef trained at Johnson & Wales or the Culinary Institute of America you might want to consider working in your local supermarket!

There was a time not too long ago that the people at those prestigious institutions of higher culinary education would have thought the idea of one of their graduates working in a supermarket was revolting. Times have changed. While the supermarket may not be the highest occupational aspiration of most of the students in these schools, it is becoming more commonplace for trained experienced chefs to run instore foodservice operations.

With the aggressiveness and diversity of some of the instore

foodservice programs in our stores, more and more operators are turning to experienced restaurant or catering chefs to develop and manage the programs that will give them a competitive edge. Since their competition includes restaurants, gourmet take-outs and caterers, they need personnel with adequate training and experience.

Unfortunately, the kinds of foodservice programs that require this degree of talent are still few and far between, although they are on the rise. Not every successful retailer has been hanging around the back door of a restaurant trying to lure away the chef.

About 15 percent of the instore staffs around the country are "trained chefs and cooks," according to retailers. This is up from about 11 percent the year before. The term "trained cooks" is open to differences in definition; most are instore trained, or have minimal outside foodservice experience.

Training, whether it be chefs, cooks, food finishers or counter help, is crucial to a successful

Eating Areas

Instore eating is becoming more evident in the nation's supermarkets. Seventy-one percent of supermarkets with delis have an area where customers can sit to eat the food they've purchased. About 11% of the stores with service deli also have either a full restaurant, cafeteria or a snack bar.

The gross margins of these foodservice areas and off-premise catering programs are all in the 50%-60% range. The potential for high profitability is great, but only if done right. That is why most operators (85%) consider these areas to be profit centers, as well as traffic/image builders.

Stores With Eating Areas

	Number of Supermarkets	Percent of Stores with Delis Having Each Section
Snack Bars	1,773	10%
Sit-Down Restaurants/Cafeterias	240	1.2
Sit-Down Eating Areas	13,987	71
Drive-Thru Areas		<1%

Average Size of Sit-Down Restaurants/Cafeterias

1,385 sq. ft.

Average Gross Margins of Eating Sections

Snack Bars	51.4%
Restaurants/Cafeterias	52.0
Off-Premise Catering	59.6%

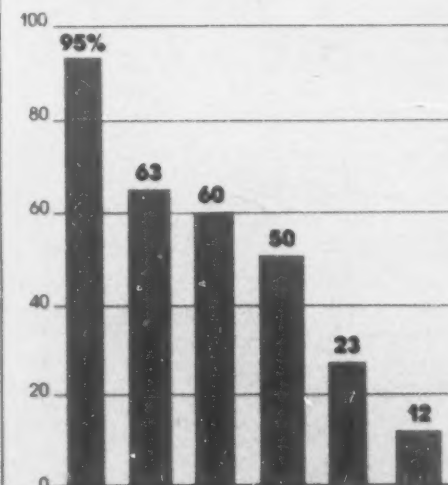
Who Manages the Sections

	By Deli Dept	As Separate Section
Snack Bars	100%	—
Restaurant/Cafeteria	80	20
Off-Premise Catering	100	—

Do You Consider Instore Eating Facilities to be:

Image/Traffic Builders	15%
Profit Centers	0
Both	85
TOTAL	100%

Advertising and Promotion Instore Foodservice



foodservice program. Trained, knowledgeable personnel are really the only thing that stands between a profitable foodservice operation and total disaster. With high turnover, and new procedures that must be followed to produce, maintain and sell the prepared foods safely, training has become a nightmare for many operators.

As a consequence of the problems of training, or hiring already trained personnel, retailers are increasingly looking for foodservice products that have already been prepared, or par prepared. The portion of prepared foods that were bought from a food service supplier or manufacturer rose to 77 percent last year. This was an increase from the 67 percent reported in the previous year. Those portion of products produced instore from scratch fell to 17 percent from 23 percent a year ago, and foods prepared in central company kitchens was down to just six percent.

There are two reasons for this. First many companies do not have the trained personnel or the facilities to produce all these products instore. This is particularly true of those companies that are just starting to get into prepared foods, and there were many stores in this category last year. Retailers have also been expanding the scope and variety of their prepared foods offerings. Many have realized that they can offer the consumer a greater variety by

making some things, and purchasing others.

A second factor is that foodservice companies are finding it easier to reach grocery companies these days. A few years ago the distribution channels between foodservice and grocery were so far apart that it was difficult to cross over from one industry to another. Only those companies that operated in both areas such as Kraft, Stouffers, Campbell, and a few others had managed to compete for the grocery foodservice market.

Today, there is more for the retailer to choose from and the offerings are generally better, although critics would argue that many of the prepared foods from suppliers still leave much to be desired. There is a lot of finishing and doctoring done in the stores, which helps retailers incorporate these purchased products into their programs. This has shifted the training burden from the basic scratch end to the finishing, maintenance and selling end of the process.

The deli/foodservice operation is offering more and more in the way of special sections or types of food. The most popular special section is still the salad bar, which is at least partly the responsibility of the deli department in the majority of stores. Fifty-six percent of all operators offer salad bars to their customers.

Other special products frequently offered include soup

(49%) fresh pasta (47%), and hot pizza (46%). Less frequently offered products include tortillas (23%), ice cream (22%), yogurt (18%) and even sushi (7%).

Other profit opportunities

Not all of those chefs and those prepared foods now found in the supermarkets are there to give consumers a meal at home or lunch at the office. This year, more than any before, supermarkets are offering instore eating as well.

In terms of just a place for patrons to sit, relax and maybe enjoy some of the marvelous food that they just purchased elsewhere in the store, 71 percent of stores have a sit-down eating area. This is about the same percentage as a year ago.

The advantage of these areas is that they may help sell slightly more prepared foods, bakery items and beverages, help create a favorable impression with customers, and help keep people in the store longer. The longer people are in the store, the more they'll buy. Give your customers a place where they can satisfy their kids with a snack, and you'll be able to make their shopping trip longer and more pleasant, not to mention all the shrink you'll probably save in the bulk candy aisle.

When it comes to real foodservice, supermarkets are beginning to get more accustomed to serving people food. In all, almost 2,000 stores now have

some kind of active instore dining program. The bulk of these units have snack bars. There are currently 1,773 snack bars operating in supermarkets. These are all manned by a service employee, have available seating close by, and prepare a limited variety of food items. These run the gamut of simple sandwiches and beverages, to a warmed holding area, to simple grilled foods.

The opportunity in this type of operation is that it lets the store draw on some of the lunch business in the area. This type of set-up works when there is that lunch trade available. Generally it should cater to more than just available store shoppers if it is to be profitable.

It also provides a place for employees to take their meal breaks, giving the retailer more access to the employee at all times, as well as benefitting from the money spent.

For about 270 of the more adventurous operators among us, the next step has been to include either a full-service restaurant or cafeteria in the store. While most of these sections are cafeteria style, about a quarter of these units are service restaurants, complete with table linens and waiters. Expanded menus are often available, as well as expanded hours of operation.

By getting into the restaurant or cafeteria end of foodservice, the operator has really made a

Continued on page 30A

Prepared Foods Merchandising & Production

More and more foodservice products are being bought from foodservice suppliers (77%), while those products made from scratch instore are decreasing (17%). The need for more variety in products, shortages in trained help, and better access to foodservice products have spurred this trend.

Retailers are confident that the trend is to more refrigerated prepared foods in the future. There is no clear consensus as to whether service or self-service is the way to go.

In Which Direction Will Your Prepared Food Sections Go in the Future

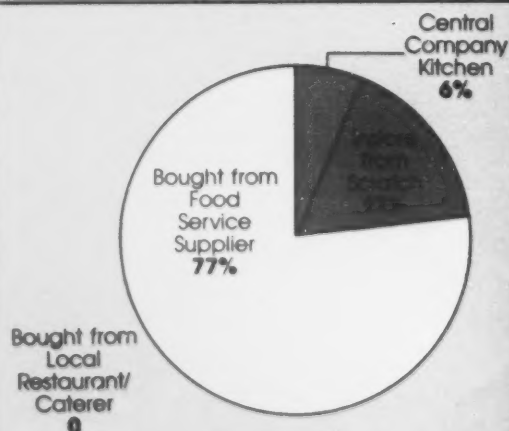
More Service	51%
More Self-Service	49
TOTAL	100%

Types of Prepared Foods Products You Expect in the Future

More Hot Foods	20%*
More Refrigerated Foods	50
No Change	30

*includes multiple responses

How Food Products Are Produced



In a department that has hundreds of products to sell, 43% of all sales come from just six categories of produce products.

a department's success should make operators very happy. Sales per square foot in the produce section are up. This is no great shock when total sales increase and floor space decreases. The department now generates an average weekly sale of \$3.64 for each square foot of space. This is about 22 cents higher than in previous years.

The cost of labor in the department is improving. Now, the average store employs the equivalent of 5.3 full-time produce employees, about the same as last year. The percentage of produce sales that goes to pay for those employees is down to 8.5 percent from last year's level of 9.2 percent.

One reason the labor percentage is down (other than department sales being up) while the number of employees stayed the same is how the products are sold. The trend toward bulk continued last year. Fully three-quarters of produce products are now sold in bulk, up from 70 percent the year before.

The increased emphasis on bulk has allowed produce departments to offer more products, and increase sales without having to add extra employees for time-consuming in-store packaging. Weekly sales per employee are up to \$3,195. This is an average increase of almost \$150 per employee.

What's selling

It's really remarkable that in a department that has hundreds of varieties of products to sell, 43 percent of all sales come from just six categories of produce products.

Call these six categories produce staples if you will, but the American diet is built around them, no matter which new ethnic group comes into the country.

Among the fruits, it's apples, bananas and citrus accounting for 23.5 percent of produce sales.

From the vegetable group, potatoes, tomatoes and lettuce contribute another 19.4 percent.

Vegetables still hold the majority of produce sales with



Labor & Service

The cost of labor as a percent of department sales was down slightly in the produce department last year. At 8.5%, labor is becoming somewhat less of a problem in this section.

There are roughly the same number of employees in the department this year as last, but sales have risen. This, in turn, has let the average weekly sales per employee rise to almost \$3,200.

Number of Employees

Full-time	3.4
Part-time	3.7
Full-time Equivalent*	5.3
Full-Time Equivalent Employees	
Fewer than 3	2%
3-4	20
5-6	29
7-9	49
Total	100%

*Two part-time = one full-time employee

Average Weekly Sales Per Employee*

Mean	\$3,195
\$2,000 or less	9%
\$2,001-\$3,000	25
\$3,001-\$4,000	41
Over \$4,001	25
Total	100%

*Full-time equivalent employees

How Much for Labor

(Labor as a Percent of Produce Sales)

Mean	8.5%
Median	8.1%
8% or less	30%
8%	11
9%	22
10%	37
Total	100%

Items Sold Packaged or Bulk

(percent of products)

	Mean	Median
Packaged	25	30
Bulk	75	70

Supply

To feed consumers' desire for variety, produce departments are stocking their tables with more items on a year round basis. The majority (95%) of these products come through the warehouse. In many areas retailers are incorporating local produce products into their product mixes. Operators report getting about 10.6% of their produce from local sources.

Varieties of Produce Items Sold

Varieties	Year Round Mean 210		Summer Months Mean 276	
100 or less	45%		18%	
101-200	9		7	
201-300	25		30	
300 & Over	20		48	
Total	100%		100%	

Sources of Supply

Delivered Direct to Store	8%
Through Warehouse	98
Total	100%

Use of Locally Grown Products

Mean 10.6%

(Percent of Items)

Less than 5%	15%
5-9%	9
10-14%	82
15% & Over	24
Total	100%

57.7 percent, while fruits account for 41 percent of the department's sales. The remaining 1.3 percent is split between bird seed and floral, where it is included as part of the department.

Floral departments of one kind or another show up in 88 percent of all supermarkets. These, of course, run the gamut from a small section of potting soil and a few plants to full wire-service-affiliated flower shops. About half of these departments are reported to be considered part of the produce section.

There are fresh-squeezed juices and salad bars in 65 percent of our stores. The juice is usually part of the produce section (in 76 percent of the stores), but only 47 percent of the salad bars are the responsibility of produce. The majority of the rest seem to fall under the deli department.

Fresh-squeezed juice bars and melon bars were among the most frequently added produce products last year. Organic products and exotic produce also continued to increase their presence in the stores.

Operators report that they have been selling more branded produce products during the past year. A full 81 percent believe that the trend will be toward selling even more branded products in the future. This is the direction that the department has been going in slowly for the past few years.

While we probably won't see the day when the majority of products are branded, we will continue to increase the number of brands each year. Brands are brought out by both the growers and packing associations, and by national grocery product manufacturers.

Getting the message out

With 61 percent of store shoppers purchasing produce each time they shop, supermarkets are doing a good job promoting the department. The average bill for a customer's produce purchases comes to \$2.46.

Obviously, retailers would love to get the other 39 percent of shoppers to make produce a stop in their shopping trip. They seem to be trying almost every possible method to promote their produce departments.

Newspaper, store circulars and point-of-purchase materials are used by most retailers. An



Merchandising & Customers

The majority (61%) of all store shoppers also shop the produce section. This is perhaps the highest percentage shopped of any specialty area of the store. Their average transaction for produce is \$2.46, which is up considerably from the \$1.71 receipt of last year. No doubt, higher prices caused by the drought in the summer of 1988 and other factors contributed to this increase.

How Customers Spend

Percent Who Shop the Produce Dept.

Mean 61%

Median 57%

How Much They Spend

Mean	\$2.46
Under \$1.00	24%
\$1.01-\$2.00	11
\$2.01-\$3.00	30
\$3.00 or more	35
Total	100%

Use of Signage (To Explain Exotic Varieties)

% Companies

Use signage	19%
Limited use of signage	78
No signage	3
Total	100%

Advertising & Promotion

Retailers are promoting the produce section through almost every means at their disposal. Print ads, sampling and point-of-purchase materials are all frequently used to get the produce message across.

Promoting Produce

% Using

Newspapers	100%
Circulars	89
Sampling	89
Point-of-purchase	88
Radio	64
Television	58

Produce's Share of Ad Space Compared to Share of Sales

Greater	41%
Less	11
Equal	48
Total	100%

The increased emphasis on bulk has allowed produce departments to offer more products and to increase sales without having to add extra employees for time-consuming packaging.

increasing number of operators have also turned to radio and television advertising as a means of promoting produce.

Almost 90 percent of operators claim that their produce sections get a share of advertising space that is at least equal to, if not greater than, the department's share of total store sales.

Helping the consumer understand some of the more exotic products and their possible usage is another way in which retailers are trying to increase sales of various produce items.

Seventy-eight percent report that they use at least some limited amount of signage or other educational materials to help consumers identify and use specialty produce.

In the last year, the produce department has continued the growth that has made it one of the store's most important departments. Whether it's the vibrant colors or aromas, or the feeling of life in the department, consumers react favorably to the section, and this is often reflected in sales. ■

SAMI UPDATE

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 5/19/89	4 WEEKS ENDING 6/16/89	4 WEEKS ENDING 7/14/89
BAIRY NEEDS	- 6.5%	- 4.5%	- 8.0%
Baby Powders	+ 0.9	+ 3.2	- 6.9
Baby Oils, Creams & Lotions	- 14.3	- 10.0	- 5.5
Infant Clothes	- 10.0	- 11.6	- 5.2
Nursing Supplies	+ 1.6	- 0.6	- 5.0
DEODORANTS	+ 1.8%	- 0.7%	- 3.6%
Sprays	+ 5.5	- 0.9	- 0.5
Roll-Ons	- 3.9	- 10.5	- 13.8
Stick Deodorants & Pads	+ 4.0	+ 7.6	+ 1.3
Creams	- 10.3	- 8.7	- 16.0
Deodorants & Talcum Powders	- 0.5	+ 2.3	- 21.2
Feminine Hygiene Deodorants	- 2.5	- 8.3	+ 1.9
Foot Deodorants & Athlete's Foot Remedies	+ 8.8	+ 10.4	- 2.3
Feminine Douches	- 0.1	- 0.4	+ 0.5
FIRST AID	- 0.7%	+ 1.8%	+ 1.7%
Antiseptics	+ 1.2	+ 1.2	+ 8.5
First Aid Products	- 0.5	+ 2.0	- 1.0
HAIR CARE NEEDS	- 0.8%	+ 0.7%	+ 0.4%
Shampoos	+ 1.1	+ 0.4	+ 1.5
Hair Sprays	- 1.7	- 0.2	- 1.1
Hair Conditioning Rinses	+ 2.7	+ 5.1	+ 5.0
Hair Setting Needs	+ 3.0	+ 7.2	+ 4.4
Home Permanent Kits	- 4.8	+ 1.3	- 2.1
Hair Coloring	- 5.8	- 7.4	- 6.3
Hair Dressing Needs	- 8.9	- 13.1	- 19.1
ORAL HYGIENE	- 4.0%	- 8.6%	- 8.4%
Toothpastes & Powders	- 6.1	- 9.4	- 8.4
Mouthwashes	- 1.7	+ 2.2	- 4.8
Breath Fresheners	- 0.8	- 1.3	- 1.7
Denture Cleaners	+ 0.6	- 12.1	- 7.2
Denture Adhesives	+ 2.1	- 1.8	- 3.0
Toothbrushes	- 0.1	- 2.7	+ 4.7
Dental Aids	- 5.2	+ 8.7	+ 4.5
PROPRIETARY REMEDIES	- 8.5%	- 3.4%	- 3.4%
Antacids	- 10.3	- 5.7	- 6.7
Internal Analgesics	- 4.6	- 2.8	- 2.6
External Analgesics	- 4.0	+ 1.8	+ 0.3
Cold Remedies	+ 1.0	- 2.3	- 2.6
Nasal Sprays—Drops— Inhalers	- 10.1	- 11.3	- 13.0
Chest Rubs	- 12.4	- 10.2	- 5.9
Cough Remedies	- 9.5	- 6.7	- 3.9
Laxatives	- 5.1	- 2.5	- 5.4
Sleeping Aids	- 4.6	+ 0.3	- 0.2
Tranquilizers	- 7.4	+ 6.5	+ 0.5
Synthetic Vitamins	- 9.5	- 6.8	- 1.1
Eye Care Products	+ 6.5	+ 5.7	+ 3.3
Appetite Suppressants	- 10.3	- 11.9	- 16.2
SHAVING NEEDS	- 8.8%	+ 1.1%	- 2.4%
Shaving Creams	+ 1.2	- 0.5	+ 0.1
Pre-Shave Lotions	+ 6.0	+ 19.0	+ 6.9
After-Shave Lotions	- 14.5	+ 1.3	- 1.5
Razor Blades	- 8.0	+ 2.7	- 3.6
Razors & Blades	- 11.1	- 2.1	- 7.2
SKIN CARE AIDS	- 1.1%	- 1.5%	- 1.1%
Hand & Body Creams & Lotions	- 1.1	- 5.4	- 7.3
Facial Preparations	+ 4.2	+ 6.7	- 6.0
Lip Care Products	- 14.7	- 12.8	- 16.2
Suntan Lotions & Oils	- 2.9	- 11.3	+ 2.4
Cosmetic & Medicated Skin Aids	- 6.7	- 3.9	- 3.9
TOTAL ALL CATEGORIES	- 1.2%	- 1.1%	- 1.1%

No Upturn in Overall HBA Food Store Trend Seen During Period Ending in Mid-July

However, Other Departments Share Weak
Tonnage Trend

BY ALAN MILLER, JR.

It is always more pleasant to report on favorable upbeat performance trading of health and beauty aids than to be the messenger delivering bad news.

In reporting on sales movement during the four weeks ending July 14, 1989 in comparison with the year-ago period, we shall strive to place emphasis on the bright spots and will try to highlight new brands that are performing well and established HBA brands that are exhibiting strength.

In all of the 51 HBA categories combined, four-week unit volume fell 2.9% behind last year's pace, which translates to 7.7 million fewer packages this year than last. As a result of price increases or a change in the product mix, four-week dollar volume rose 1.1% or \$7.3 million.

(There was also food store sales weakness in the dry grocery department with a tonnage decline of 1.3% for shelf-stable foods and a loss of half a percent for nonfoods.) The HBA weakness was not limited to food stores. Dollar sales in drug stores in all categories combined advanced less than 1%.

Among the eight product groups broken out by Arbitron/SAMI, there were 28-day increases in only two: an increase of 1.7% for first aid and a gain of 0.4% for hair care needs. Of the 51 product categories, only 15 had a plus volume over a similar span in 1988, while declines were recorded in 36.

New categories show strength

There are three newer categories, not shown in the chart, with four-week comparisons but less than two full years of data. In each of these, four-week sales were higher than those achieved last year: home testing kits (+43.1%), contraceptives (+13.7%) and personal lubricants (+10.5%).

The highest rate of gain for a product category was an 8.5% advance for first aid antiseptics, while the most severe loss was 21.2% for deodorant and talcum powder. Hair dressing needs suffered a decline of 19.1%.

Unit sales of baby needs fell 5.0% for the four-week period, a slight improvement over the 5.3% decline for these four categories during the most recent 12-week period.

Two brands of baby needs that are showing positive trends are Caldesene baby powder and Baby Magic baby lotion.

There were three personal deodorant categories with plus volume for the mid-July reporting period: feminine hygiene deodorants (+1.9%), stick deodorants and pads (+1.3%), and feminine douches/washes (+0.5%).

There were three new brands of spray deodorants during the year—Speed Spray and Lady Speed Spray from Mennen and Ban From Bristol-Myers—but their volume was not sufficient to erase losses from other brands.

Gillette's Soft & Dri increased its share in this category, and did even better in the roll-on and stick deodorant categories. Old Spice roll-on completed national distribution and Arrid Extra Dry Glide-On enjoyed a strong sales quarter.

Other strong performers in the stick deodorants category were Ban and Right Guard. In the food deodorant and Athlete's food remedies category, the highlight brands were Micatin and Block Drug's Gold Bond, which is in limited distribution.

In the first aid sector, antiseptics enjoyed a strong four-week upsurge (+8.5%). Brands with strong recent trends include Neosporin, Cortizone 5, Benadryl and Caldecort. There were three brands of first aid products with higher shares: Non-Stick Pads, Sentinel, and

SAMI UPDATE

Mickey & Pals, which rolled out to near national status.

Small gain for hair care needs

Among hair care needs, unit volume gains among shampoos (+1.5%), hair conditioning rinses (+5.0%) and hair setting needs (+4.4%) wiped out losses for hair dressing needs (-19.1%), hair coloring (-6.3%), home permanent kits (-2.1%) and hair spray (-1.1%).

Pert Plus shampoo enjoyed an outstanding rate of gain as did regular Pert and Silkience shampoo. Hair conditioner also moved sharply upward.

Another brand with strong trends in each of the hair care needs categories in which it appears is Helene Curtis' Salon Selectives.

The only major new product in this product group was Revlon's Clean & Clear hair spray. In the hair setting needs category, brands with share increases included Clairol, L'Oreal Studio, Sauve, Salon Selectives, Style, Bold Hold, Pantene and Vital Care (via new markets).

Five of the seven Oral hygiene categories tracked by

Arbitron/Sami incurred losses.

The highest loss rate was 8.4% for toothpaste, where pumps are not currently as popular as they had been. The gains in the oral hygiene product group were recorded by toothbrushes and dental aids.

The only major new product introduction was Colgate Jr. toothpaste. Arm & Hammer Dental Care completed national distribution. Other oral hygiene brands with impressive sales increases were Close-up and Viadent dentifrice. Tom's of Maine natural toothpaste is continuing to add new markets of availability. The toothbrush with the best trend is Colgate Plus.

Three of the categories of proprietary remedies showed modest gains. There were double-digit loss rates for appetite suppressants (-16.2%) and nasal sprays-drops-inhalers (-13.0%).

The four-week unit loss in the antacid category was more than one million out of the nearly two and a half million decline for the whole proprietary remedies product group.

The strongest trends among top 10 internal analgesics were

provided by Advil and Ecotrin. A new national brand in the category was Motrin ibuprofen, and Medic has expanded distribution.

The best performing major brand of antacid was McNeil Labs' Imodium. Mineral Ice is a growth brand of external analgesics. Only three of the top 10 cold remedies brands advanced over last year's four-week pace: Nyquil, Sudafed and Benadryl. Night Lite and Theraflu were new cold remedies brands.

None of the million-dollar cough remedies had a second quarter gain, but private labels enjoyed a tonnage gain which improved their share. The gainers among laxatives and stool softeners included Fiber-All and Perdiem. The growth brands of sleeping aids were Nytol and Sleepinal.

The major action in the eye care needs category was provided by Ciba Vision, Aosept, The Boston, and Aodisc. Centrum strengthened its hold on first place among synthetic vitamins.

There was a tiny gain for shaving creams as a result of the volume furnished by the com-

pletion of national distribution of Faberge's Cut Guard and the national rollout of S.C. Johnson's Soft Sense. A new product, Afta from Mennen, was also responsible for a 6.9% increase in units of pre-shave lotions.

Skin care aids decline

The only category of skin care aids with a gain for the four weeks was suntan lotion and oil, for which a gain during this season of the year is important.

The category with the most negative trend is lip care products (-16.2%), but loss rates of 7.3% for hand and body cream lotions, 6.0% for facial preparations, and 3.9% for cosmetic and medicated skin aids were recorded in three categories with high volume levels.

There were two major new national brands of hand and body creams and lotions during the year: Jergens' Eversoft and Beecham's Calgon. In addition, Vaseline Intensive Care Hand-Nail lotion became the number three brand in this category. The strong performers among facial preparations included Oil of Olay Lotion, Ponds, Sea Breeze, Night of Olay and Neutrogena. ■

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